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THRIFT
IN FRANCE

ITS BEARING UPON RECONSTRUCTION AND WHAT WE CAN LEARN FROM IT

By INGALLS KIMBALL
PRESIDENT OF THE NATIONAL THRIFT BOND CORPORATION

THRIFT
IN FRANCE

Its Bearing upon Reconstruction and what we can Learn from It

A paper read before the guests of M. Maurice Casenave, Minister Plenipotentiary, Director General of the French Services in the United States, October 24, 1919

By INGALLS KIMBALL
President of the National Thrift Bond Corporation

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THRIFT IN FRANCE: ITS BEARING ON RECONSTRUCTION

Reconstruction—the replacement of the vast capital destroyed by the war, the making of the new equipment necessary to carry on the world's work—gives to thrift not only an added importance, but changes the whole conception of the subject.

Thrift has ceased to be a social question and has become an economic one.

It is no longer a matter of philanthropy, but of *business.*

It is not now a question of the welfare of the saver, but of the financial life of the community.

Production is the answer to every question—be it prices, standards of living, social unrest.

Production and prosperity go hand in hand; whatever orgies of expenditure and inflation accompany every great period of destruction—they are not prosperity.

Increased production must come mainly from one source; increased investment in productive machinery.

In the past, increased investment has come largely from the share of the national income that went to capital. Most of the world's large incomes are not spent—they are reinvested.

Of the wages fund, virtually none has found its way back into productive enterprise.

Now the wages fund is an ever, and today a very rapidly, increasing proportion of the national income. Measured in whatever terms you like, more and more of the total return to industry is finding its way to the wage earner—who is a *consumer*—less and less to the capitalist—who is an investor.

9 April, 1920 - C.R.W.

Unless progress is to stop, unless production is to become actually less as equipment wears out, mines become deeper, land becomes poorer, population and consumption increase—a way must be found and found *now* to turn an ever increasing portion of the wages fund into investment.

This is a practical business question for practical business men.

It is capable of solution by business men and business methods. It is high time it were taken out of the hands of theorists and economists. It is time to *get down to tacks.*

The practical way to go about doing a new thing is to find out where it is done best; to study how it is done there and then adopt or adapt those methods which are a proven success.

And so—for Thrift we go gratefully to that country which has made a success of it, as she has of so much that is worth while in the world, and ask France to be our teacher.

Thriftiest of Nations

For France is without a question the Thriftiest of nations. There is scarcely a person—man, woman or child—in France who is not an *owner* of something—and these days a nation of *owners* is in a mighty enviable position.

It may be money; or a deposit in a savings bank. Perhaps a bit of land or a house. A share or so in a railway; a credit with the Tresorier Payeur of the district; a bond of the City of Paris or the Credit Foncier. Almost surely in the household will be a government bond—maybe several; and quite likely

one of Russia or Turkey or a South American country.

Whatever its form, it will mean *ownership, savings, investment.*

It would be interesting to analyze the causes of French Thrift, but such an analysis would mean a study of the French people. One cause is probably that, from the beginnings of history France has been a battleground. For hundreds of years past, the man of the house might at any time be called to the colors for a month or a year—or forever.

France has saved in peace that she might live through war; and there was never a day that war was not just over the border.

The "dot" which every French girl has the right to expect—and which every prospective son-in-law does expect—may be the outcome of the same underlying timidity as to the future; an insurance that the young wife should be provided for in her husband's absence, even though it came before he had himself been able to provide.

Perhaps the instinct of self-protection, which is highly developed among French women, and which is encouraged by their men, has its roots in the same general set of causes. In any event, not only are French women clever at business—they are good savers. Fifty-seven per cent of the depositors in the savings banks are women.

Much of the savings of France was in gold. For a change of government does not change gold, and even today, with all her broad investments, she clings to the "bas de laine." No one knows what the cash fund in the hands of the French people amounts to. There is no way of finding out. But on every occa-

sion of French need hundreds of millions of francs come pouring out. They came in 1848; they came in 1871; they came in 1914, and again in 1915, and in 1916 and 1917—and there is no doubt whatever that the store that remains is very, very great.

Whatever the causes for French Thrift, they are not recent. As long ago as 1798 the records show 24,791 holders of French Rentes. In 1810 the number was 145,663. In 1867, when there were 126,331 owners of British Consols, with average holdings of $30,000, there were already 1,095,683 rentiers holding an average of $2,000 each.

And in 1879 the number of "Inscriptions" had risen to 4,380,933, amounting to 18 billion francs (in probably at least 2 million hands).

Note, please, that neither of these dates is soon after any war. These bonds were being *held* in time of peace, not merely bought under stress of patriotic need.

No figures are necessary to emphasize our own lack of all the qualities of thrift so noticeably possessed by the French. But it is interesting to note that of the depositors in our own Postal Savings System only 41 per cent are American born, and they own but 28 per cent of the money on deposit. The rest belongs to foreigners.

Our Savings Not 10 Per Cent

Much is said in the public prints of the vast army of savings bank depositors and holders of insurance policies in this country, and the proportion of the national wealth that is theirs through these institutions. Yet the total of all these holdings cannot be stretched beyond 20 billions—certainly not 10 per cent of the wealth of the country.

As to individual investment, we all know that it does not, in the popular sense, exist here at all. True, 20,000,000 people bought Liberty Bonds—or subscribed for them. Still more invested in War Savings Stamps. But why delude ourselves into the belief that these temporary ownerships constitute "investments," or that the "owners" of these securities are either investors or savers?

As a trainboy passes through and leaves a box of sweets with every passenger, so we have left a bond on every doorstep. But the trainboy who counted his sales before he went through to collect would not be a good business man!

Early in the last century savings banks began to be established in France, as in the United States and other countries. Figures, up to 1835, are meagre and unsatisfactory. In that year there were in France 128 institutions, having 55 branch offices. The year began with 79,857 depositors, with 35 million odd francs to their credit—nearly 500 francs apiece. There is no record of the number of transactions, but we know that during the year there were opened 64,342 new accounts and that 22,672 were closed, which shows pretty active business.

In 1847 there were 354 banks, with 191 branches, 728,219 depositors and 358 million francs of funds. Of this sum, 279,000,000 francs were converted into government bonds by the decree of 1848. But this seems to have been no discouragement to the French people, for while it is true that some 340,000 accounts were closed, more than 189,000 new ones were opened and the deposits made during the year came to roughly a hundred million francs.

In 1850 the amount due each depositor had fallen

to 238 francs and there was a depositor to every 61 inhabitants of France.

Thereafter progress was steady, both in number and amount of deposits, until 1869, when there were 1,968,007 depositors (1 to 18 of population), with total deposits of over 710 millions—333 francs each.

The Franco-Prussian War closed many savings banks in the occupied regions, and during the next two years nearly two hundred million francs were withdrawn—largely for investment in the government loans—a transaction regularly carried out for their customers by the savings banks themselves. But notwithstanding the billion or more in Rentes taken up during these two years by the small investors of France, progress was again in full swing in the savings banks by 1873, and went steadily on until in 1882 the Postal Savings Banks were established. And then a very notable thing happened. The Postal Savings Banks were an immediate success, having at the end of the first year nearly 50 million francs on deposit, to the credit of more than 211,000 depositors. But—and note this well—the curve of increasing business in the private savings banks was scarcely deflected.

This great sum had been gathered from these 200,000 people without appreciable effect on the existing institutions.

This memorandum is not concerned with emergency measures, but with the progress and prosperity which should and may yet go with peace. So the figures that have been quoted throughout are pre-war figures. In passing it is of interest to note that, while savings of necessity fell off during the war years, because of the absence of men at the Front (savings

banks in the war area were of course closed), withdrawals of deposits were small, both actually and relatively, while the bas de laine again bought bonds.

Here are the figures of the combined savings bank systems—postal and private—for the war years (at January 1st):

	Depositors	*Net Balance*
1914.....	15,165,674	5,829,746,000
1915.....	14,551,256	5,443,694,000
1916.....	14,606,880	5,053,279,000
1917.....	14,504,717	4,492,989,000

It is notable that the withdrawals were largely among those having balances upward of 500 francs. The use of savings bank deposits for loan purchases is a usual custom in France.

The reports of these institutions are wonderful examples of careful statistical preparation, which our own savings banks would do well to study and emulate.

The average deposit transaction is, in the Postal Banks, about 150 francs ($26.00); in the private banks, about 200 francs.

Not to burden this account with statistics, it is worth noting that, in the private savings banks of France, there were in 1913

2,724,848	accounts	under	20 fr.			
1,445,119	"	over	20	and	under	100
666,532	"	"	100	"	"	200
908,867	"	"	200	"	"	500
882,590	"	"	500	"	"	1000
786,873	"	"	1000	"	"	1500
1,244,722	"	"	1500			
8,659,551						

The accounts opened in the private banks in 1913 were divided by trades as follows:

		Per Cent
Industrial Wage Earners	68,041	12.54
Farm Workers	50,287	9.32
Managers of Business...	44,355	8.22
Household Servants	40,675	7.53
Soldiers and Sailors.....	5,675	1.05
Clerks and Public Servants	27,100	5.02
Professional	6,648	1.23
Proprietors Without Profession	85,266	15.79
Minors	211,865	39.24
	539,912	100

Of these, 47.85 per cent were men.
52.15 per cent were women.

The Postal Banks show similar results, except that the percentage of wage earners and servants together is higher (36.32, against 29.08) and of minors lower (29.02, against 39.24). Of Postal Savings depositors, the women are again in the majority, 57.99 to 42.01 per cent.

The trade divisions have changed little since the record began to be kept, the most notable change being the decrease from 17 per cent in 1850 to 7½ per cent in 1913 in the classification of household servants.

Of the 39 million people in France, more than 15 million have savings bank accounts.

Of the 100 million people in America, there are perhaps 9,000,000 with savings accounts. The amount

of saving in France is less than here, in money, probably by four-fifths—for our savings accounts in 1913 totaled something like $6,000,000,000, to less than $1,200,000,000 in France, about a dollar for a franc. By the same token it cost us about a dollar for each transaction. Think of that, one dollar for every deposit and one dollar for every withdrawal, no matter how big or how little, and in France each transaction cost about a franc!

This comparison becomes vastly more impressive when it is remembered that France looked after half again as many accounts as we did, at about a fifth of the cost.

We are accustomed to think of the average savings bank transaction as small and frequent.

Go into the Emigrant Industrial, a great institution known from one end of the land to the other, look over the crowd of depositors at the window, or waiting to get there, and you would calculate that each might leave three or four dollars and go on his way, to be back the next Saturday with another like amount, and so to build a competence. But this is not so. If the depositor is of the average, he or more likely she, will leave just over $200 at the counter and will not be back for something more than a year.

Less than five in every one hundred deposit $10 or less.

Millions of Small Accounts

And in France the same story holds. The savings bank depositor goes there perhaps once in two years, and his two or three hundred francs go with him.

True, in France there are millions of tiny accounts that here do not exist, and more than 60 per cent of

all the deposits made in 1913 were in sums less than 100 francs (average 40 francs), while those of 1000 francs and over were only 3.71 per cent of the whole; but there, as here, *having* a savings account does not mean *using* it; there, as here, the savings bank does not increase saving—it merely provides a place to put that which has already been saved.

In France the savings banks are but a small part of the story. They form a mere cog in the machinery of thrift. There, as here, they *actuate* nothing, create nothing.

But here the savings banks are the end as well as the beginning of the story. In many cases they serve, by duplication of accounts, as the sole means of investment of comparatively rich people.

We have our building and loan associations, which are growing, and our life insurance companies, which are growing faster yet. And France has all of these.

They cancel in the account.

The Real Thrift

Now for the real thrift of France. Here are the figures, all before the war had distorted values and forced issues:

	Number	*Amount*
Savings Banks	15,000,000	5,000,000,000
Rentes	2,000,000	25,000,000,000
Ville de Paris.....	8,100,000	2,500,000,000
Bons Credit Foncier..	12,500,000	4,000,000,000
Railways	3,000,000	15,000,000,000
Land Holdings	9,000,000	.....
Cash Savings	.....	.....
Foreign Bonds	.....	40,000,000,000
Life Insurance	.....	4,000,000,000

Beyond all these forms in which the savings of the French people are found, there was for many years a custom of depositing money with a public official of the territory called the "Tresorier Payeur," who carried an account known as the "Compte de Fonds Particuliers." The farmer who received 3000 francs for his crop was extremely likely to deposit this amount with the Tresorier Payeur of his neighborhood, because, while the account was a personal one and not literally guaranteed by the State, it had none the less the moral support of the Government.

Bons du Tresor

The funds in the hands of these officials were invested principally in rentes or in another obligation of the French Government called Bons du Tresor. These latter obligations of the French Government were never for sale to the public, never traded in on the Bourse, but were held in the portfolios of banks and of the Tresoriers Payeurs. When, for some reason, the Government required money, it would call upon the Tresoriers Payeurs for its requirements and issue its Bons du Tresor. I have been unable to get the exact figures of this account but there is no doubt that it could have been measured in hundreds of millions.

About 1890 a most interesting development took place in this account. The great banks, principal among which are the Credit Lyonnais, the Societe General and the Comptoir National d'Escompte, went into the bond business. Salesmen or solicitors for these institutions visited every town and hamlet in France. They paid particular attention to priests, women and officers, but the farmer and merchant were

by no means neglected, with the result that deposits in the hands of the Tresoriers Payeurs not only did not increase but fell off steadily while the deposits and sales of bonds of the three great banks climbed steadily and rapidly upward. It was through these salesmen, of which there were hundreds, that the French people invested in Panama Bonds and in the Bonds of Russia, of Turkey and of South America.

Anything approximating exact figures on these sales is unattainable from data available in this country, but it was from these sources that a large part of the fund of 40,000,000,000 of francs invested by Frenchmen outside of France was recruited.

Thrift in Reconstruction

Let us examine for one moment the practical advantage to France of her years of thrift as it appears in the tragedy of war and in the monumental problems of reconstruction which now face her.

I quote from an address of Mr. Klotz, Secretary of the Treasury:

"The first anniversary of the signing of the Armistice finds France anxious to wipe out the stains of the war. France's foreign debts amount to roughly 30 billions of francs, of which sum 27 billions are owed to Great Britain and to the United States. On the other hand she has made loans to her allies for 12 billions and has subscribed an amount exceeding 40 billions to foreign securities before the year 1914. Also France is entitled to an indemnity from Germany recognized by Germany in the Treaty which she signed in conjunction with all the allied nations. We have as yet received no considerable sums from Germany, principally because the treaty has not yet come

into force and we have had to, without delay, begin the building of our devastated provinces in the north and east to establish civilization, as it were, over the country so successfully turned into a desert by our enemies. Over 10 billion will be derived from taxes this year, whereas pre-war taxes averaged 5 billions. The increase of 50 per cent in taxes will suffice to restore a normal condition to the country's affairs. There are favorable signs regarding the collection of indirect taxes, an increase in these being noted every quarter period. Examination of the sale taxes of buildings reveals many changes for the better being made in rural France. Farmers who formerly were content to cultivate the land for someone else, are now acquiring the proprietorship of the soil they till. And the deposits made in the savings bank are greater than ever before. The whole structure of economic and social life is being transformed by these facts, which are of both considerable and happy importance."

"Work and Save"

As a matter of fact the deposits in the French savings banks during the first nine months of the current year reached 1,200,000,000 francs, a record never reached before the war for an equivalent period. Every returning traveler reports with enthusiasm and amazement the progress that has been made by the people themselves toward the rebuilding of their farms, without waiting for help from the Government or other sources and that the Government itself, moving steadily forward without the aid of other nations, is busy at its work of reconstruction, too.

When Clemenceau said "Work and Save" to the

French people he got a magnificent response because the people were willing to work and *knew how to save.* As the French are reconstructing France, so must the work of reconstruction go on through the whole world and we in America could not, if we would, escape our share of the burden and the benefit. France has given us a magnificent example; France has shown us the way.

To be very specific, to turn to practical working advantage this great lesson is all that remains. You have seen that, though infinitely more active than with us, the savings banks play a comparatively unimportant part in the great scheme of French thrift. An exact comparison is impossible because exact figures on other forms of French investment do not exist. The Frenchman buys his bond and stows it away, usually unrecorded and unknown; possibly even his own family is kept in ignorance of the amount and even the whereabouts of his savings.

Millions Subscribe, Few Own

We, too, have a savings bank system and we have all the securities that they have in France—Government, City Railway—(for Credit Foncier Bonds are the means by which French cities, except Paris, borrow). But, while ours are made for the large investor, their market depending on interest rate measured in eighths and sixteenths, those of France are made for the small investor, their attractiveness to him measured by their safety, simplicity and availability. We are wholesalers first—retailers only as a fad. So as retailers we fail. In these securities the French are retailers first—wholesalers only on occasion.

That is one part of the problem—or of its solution.

The French are savers by nature—we are not.

The creation of small unit securities in this country has no effect. There have been $10.00 bonds of New York in existence for years, but nobody buys them. United States Bonds have been issued in tens and twenties and fifties and hundreds. Millions subscribe, and in a few years thousands own them.

Our people are the most teachable people on earth. They will learn to buy bonds, learn to save money, when it is worth somebody's while to teach them and to show them the advantage to themselves.

France is a country of Government ownership and operation; ours a country of private ownership and operation. France runs many of her railways, her telephones and her telegraphs. France makes matches and sells cigars. Perhaps that is the best way. It is not *our* way.

It is time, I repeat, for the business men of America to wake up to thrift as a business proposition, profitable not only to the nation and to the individual, but to the business men who take hold of it, and learn from France how to do it.

The machinery is ready at hand—the free gift of the French nation.

Are we ready to put behind it the energy to set it in motion?

Are we ready to meet the question as a vital need of the world's work of reconstruction?

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INTENTIONAL SECOND EXPOSURE

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